

## **II. ACTUARIAL ANALYSIS**

### ***A. SOCIAL SECURITY AMENDMENTS SINCE THE 1991 REPORT***

Since the 1991 Annual Report was transmitted to the Congress on May 17, 1991, there have been no legislative changes enacted which would have a significant effect on the the financial status of the OASDI program.

**B. DESCRIPTION OF THE TRUST FUNDS**

The Federal Old-Age and Survivors Insurance Trust Fund was established on January 1, 1940, as a separate account in the United States Treasury. All the financial operations of the OASI program are handled through this fund. The Federal Disability Insurance Trust Fund is another separate account in the United States Treasury; it was established on August 1, 1956. All the financial operations of the DI program are handled through this fund.

The primary receipts of these two funds are amounts appropriated to each of them under permanent authority on the basis of contributions payable by workers, their employers, and individuals with self-employment income, in work covered by the OASDI program. All employees, and their employers, in covered employment are required to pay contributions with respect to their wages. Employees, and their employers, are also required to pay contributions with respect to cash tips if their monthly cash tips amount to at least \$20. All self-employed persons are required to pay contributions with respect to their covered net earnings from self-employment. In addition to making the required employer contributions on the wages of covered Federal employees, the Federal Government also pays amounts equivalent to the employer and employee contributions that would be paid on deemed wage credits attributable to military service performed after 1956 if such wage credits were covered wages.

In general, an individual's contributions, or taxes, are computed on wages or net earnings from self-employment, or both wages and net self-employment earnings combined, up to a specified maximum annual amount. The contributions are determined first on the wages and then on any net self-employment earnings, such that the total does not exceed the annual maximum amount. An employee who pays contributions on wages in excess of the annual maximum amount (because of employment with two or more employers) is eligible for a refund of the excess employee contributions.

The monthly benefit amount to which an individual (or his or her spouse and children) may become entitled under the OASDI program is based on the individual's taxable earnings during his or her lifetime. In computing benefits for almost all persons who first become eligible to receive benefits in 1979 or later, the earnings in each year are indexed to take account of increases in average wage levels.

Actuarial Analysis

The contribution rates, or tax rates, applicable in each calendar year, and the allocation of the rates between the OASI and DI Trust Funds, are shown in table II.B.1.

**TABLE II.B.1.—CONTRIBUTION AND BENEFIT BASE AND CONTRIBUTION RATES**

Calendar years	Contribution and benefit base	Contribution rates (percent)					
		Employees and employers, each			Self-employed		
		OASDI	OASI	DI	OASDI	OASI	DI
1937-49.....	\$3,000	1.000	1.000	—	—	—	—
1950.....	3,000	1.500	1.500	—	—	—	—
1951-53.....	3,600	1.500	1.500	—	2.2500	2.2500	—
1954.....	3,600	2.000	2.000	—	3.0000	3.0000	—
1955-56.....	4,200	2.000	2.000	—	3.0000	3.0000	—
1957-58.....	4,200	2.250	2.000	0.250	3.3750	3.0000	0.3750
1959.....	4,800	2.500	2.250	.250	3.7500	3.3750	.3750
1960-61.....	4,800	3.000	2.750	.250	4.5000	4.1250	.3750
1962.....	4,800	3.125	2.875	.250	4.7000	4.3250	.3750
1963-65.....	4,800	3.625	3.375	.250	5.4000	5.0250	.3750
1966.....	6,600	3.850	3.500	.350	5.8000	5.2750	.5250
1967.....	6,600	3.900	3.550	.350	5.9000	5.3750	.5250
1968.....	7,800	3.800	3.325	.475	5.8000	5.0875	.7125
1969.....	7,800	4.200	3.725	.475	6.3000	5.5875	.7125
1970.....	7,800	4.200	3.650	.550	6.3000	5.4750	.8250
1971.....	7,800	4.600	4.050	.550	6.9000	6.0750	.8250
1972.....	9,000	4.600	4.050	.550	6.9000	6.0750	.8250
1973.....	10,800	4.850	4.300	.550	7.0000	6.2050	.7950
1974.....	13,200	4.950	4.375	.575	7.0000	6.1850	.8150
1975.....	14,100	4.950	4.375	.575	7.0000	6.1850	.8150
1976.....	15,300	4.950	4.375	.575	7.0000	6.1850	.8150
1977.....	16,500	4.950	4.375	.575	7.0000	6.1850	.8150
1978.....	17,700	5.050	4.275	.775	7.1000	6.0100	1.0900
1979.....	22,900	5.080	4.330	.750	7.0500	6.0100	1.0400
1980.....	25,900	5.080	4.520	.560	7.0500	6.2725	.7775
1981.....	29,700	5.350	4.700	.650	8.0000	7.0250	.9750
1982.....	32,400	5.400	4.575	.825	8.0500	6.8125	1.2375
1983.....	35,700	5.400	4.775	.625	8.0500	7.1125	.9375
1984 <sup>1</sup> .....	37,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1985 <sup>1</sup> .....	39,600	5.700	5.200	.500	11.4000	10.4000	1.0000
1986 <sup>1</sup> .....	42,000	5.700	5.200	.500	11.4000	10.4000	1.0000
1987 <sup>1</sup> .....	43,800	5.700	5.200	.500	11.4000	10.4000	1.0000
1988 <sup>1</sup> .....	45,000	6.060	5.530	.530	12.1200	11.0600	1.0600
1989 <sup>1</sup> .....	48,000	6.060	5.530	.530	12.1200	11.0600	1.0600
1990.....	51,300	6.200	5.600	.600	12.4000	11.2000	1.2000
1991.....	53,400	6.200	5.600	.600	12.4000	11.2000	1.2000
1992.....	55,500	6.200	5.600	.600	12.4000	11.2000	1.2000
Rates scheduled in present law:							
1993-99.....	(C)	6.200	5.600	.600	12.4000	11.2000	1.2000
2000 and later.....	(C)	6.200	5.490	.710	12.4000	10.9800	1.4200

<sup>1</sup>In 1984 only, an immediate credit of 0.3 percent of taxable wages was allowed against the OASDI contributions paid by employees, resulting in an effective contribution rate of 5.4 percent. The appropriations of contributions to the trust funds, however, were based on the combined employee-employer rate of 11.4 percent, as if the credit for employees did not apply. Similar credits of 2.7 percent, 2.3 percent, and 2.0 percent were allowed against the combined OASDI and Hospital Insurance contributions on net earnings from self-employment in 1984, 1985, and 1986-89, respectively. Beginning in 1990, self-employed persons are allowed a deduction, for purposes of computing their net earnings, equal to half of the combined OASDI and HI contributions that would be payable without regard to the contribution and benefit base. The contribution rate is then applied to net earnings after this deduction, but subject to the base.

<sup>2</sup>Subject to automatic adjustment.

For 1993 and later, the rates shown in table II.B.1 are those scheduled in present law. The maximum amount of earnings on which OASDI contributions are payable in a year, which is also the maximum amount of earnings creditable in that year for benefit-computation purposes, is called the contribution and benefit base. The contribution and benefit bases are also shown in table II.B.1. (The total contribution rates for the OASDI and Hospital Insurance (HI) programs combined, and for each program separately, are shown in appendix A, table III.A.1. The maximum annual amount taxable under the HI program, as well as the contribution and benefit bases for OASDI, are shown in table II.E.2.)

All contributions are collected by the Internal Revenue Service and deposited in the general fund of the Treasury. The contributions are immediately and automatically appropriated to the trust funds on an estimated basis. The exact amount of contributions received is not known initially because the OASDI and HI contributions and individual income taxes are not separately identified in collection reports received by the Internal Revenue Service. Periodic adjustments are subsequently made to the extent that the estimates are found to differ from the amounts of contributions actually payable as determined from reported earnings. Adjustments are also made to account for any refunds to employees (with more than one employer) who paid contributions on wages in excess of the contribution and benefit base.

From May 1983 through November 1990, amounts representing the estimated total collections of OASDI contributions for each month were credited to the trust funds on the first day of the month. Payments from the trust funds were made periodically to the general fund as reimbursement for the interest costs attributable to these advance transfers. Since December 1990, advance tax transfers have not been made. The "Omnibus Budget Reconciliation Act of 1990" amended the law in effect since 1983 to provide that such advance transfers would be used only if the trust funds drop to such a low level that they are needed in order to pay benefits.

Beginning in 1984, a portion (not more than one-half for any individual) of OASDI benefits is subject to Federal income taxation under certain circumstances. The proceeds from this taxation of benefits are credited to the trust funds in advance, on an estimated basis, at the beginning of each calendar quarter, with no reimbursement to the general fund for interest costs attributable to the advance transfers. Subsequent adjustments are made based on the actual amounts as shown on annual income

tax records. The amounts appropriated from the general fund of the Treasury are allocated to the OASI and DI Trust Funds on the basis of the income taxes paid on the benefits from each fund. (A special provision applies to benefits paid to non-resident aliens. A flat-rate tax, usually 15 percent, is withheld from the benefits before they are paid and, therefore, remains in the trust funds.)

Another source of income to the trust funds is interest received on investments held by the trust funds. That portion of each trust fund which, in the judgment of the Managing Trustee, is not required to meet current expenditures for benefits and administration is invested, on a daily basis, primarily in interest-bearing obligations of the U.S. Government (including special public-debt obligations described below). Investments may also be made in obligations guaranteed as to both principal and interest by the United States, or in certain Federally sponsored agency obligations that are designated in the laws authorizing their issuance as lawful investments for fiduciary and trust funds under the control and authority of the United States or any officer of the United States. These obligations may be acquired on original issue at the issue price or by purchase of outstanding obligations at their market price. Thus, all of the investments held by the trust funds are backed by the full faith and credit of the U.S. Government.

The Social Security Act authorizes the issuance of special public-debt obligations for purchase exclusively by the trust funds. The Act provides that these obligations shall bear interest at a rate equal to the average market yield (computed on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of such calendar month. These special issues are redeemable at all times at par value and thus bear no risk with respect to changes in interest rates (i.e., principal price fluctuations).

Income is also affected by provisions of the Social Security Act for (1) transfers between the general fund of the Treasury and the OASI and DI Trust Funds for any adjustments to prior payments for the cost arising from the granting of noncontributory wage credits for military service prior to 1957, according to periodic determinations made by the Secretary of Health and Human Services; (2) annual reimbursements from the general fund of the Treasury to the OASI Trust Fund for any costs arising from the special monthly cash payments to certain unin-

sured persons—i.e., those who attained age 72 before 1968 and who generally are not eligible for cash benefits under other provisions of the OASDI program; and (3) the receipt of unconditional money gifts or bequests made for the benefit of the trust funds or any activity financed through the funds.

The major expenditures of the OASI and DI Trust Funds are for (1) OASDI benefit payments, net of any reimbursements from the general fund of the Treasury for unnegotiated benefit checks, and (2) expenses incurred by the Department of Health and Human Services and by the Department of the Treasury in administering the OASDI program and the provisions of the Internal Revenue Code relating to the collection of contributions. Such administrative expenses include expenditures for construction, rental and lease, or purchase of office buildings and related facilities for the Social Security Administration. The Social Security Act does not permit expenditures from the OASI and DI Trust Funds for any purpose not related to the payment of benefits or administrative costs for the OASDI program.

The expenditures of the trust funds are also affected by (1) costs of vocational rehabilitation services furnished as an additional benefit to disabled persons receiving cash benefits because of their disabilities where such services contributed to their successful rehabilitation, and (2) the provisions of the Railroad Retirement Act which provide for a system of coordination and financial interchange between the Railroad Retirement program and the Social Security program. Under these provisions, transfers between the Railroad Retirement program's Social Security Equivalent Benefit Account and the trust funds are made on an annual basis in order to place each trust fund in the same position in which it would have been if railroad employment had always been covered under Social Security.

The net worth of facilities and other fixed capital assets is not carried in the statements of the operations of the trust funds presented in this report. This is because the value of fixed capital assets does not represent funds available for the payment of benefits or administrative expenditures, and therefore is not considered in assessing the actuarial status of the trust funds.

**C. SUMMARY OF THE OPERATIONS OF THE OLD-AGE AND  
SURVIVORS INSURANCE AND DISABILITY INSURANCE  
TRUST FUNDS, FISCAL YEAR 1991**

**1. Old-Age and Survivors Insurance Trust Fund**

A statement of the income and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund in fiscal year 1991, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table II.C.1.

During fiscal year 1991, total receipts amounted to \$293,288 million, and total disbursements were \$241,316 million. The assets of the OASI Trust Fund thus increased by \$51,972 million during the year, to a total of \$255,417 million on September 30, 1991.

Included in total receipts during fiscal year 1991 were \$271,089 million representing payroll tax contributions appropriated to the fund. Another \$356 million was received from the general fund of the Treasury representing payment for the taxes that would have been paid on estimated deemed wage credits for military service in 1991 if such credits had been considered to be covered wages. (Included in this payment are adjustments for revised estimates of deemed wage credits in prior years.) As an offset to gross contributions, \$604 million was transferred from the trust fund to the general fund of the Treasury for the estimated amount of refunds to employees who worked for more than one employer during a year and paid contributions on wages in excess of the contribution and benefit base.

Net payroll tax contributions thus amounted to \$270,841 million, an increase of 3.6 percent over the amount in the preceding fiscal year. This level of growth in contribution income resulted primarily from the effects of (1) increased covered employment and earnings, (2) the increase in the OASI tax rate that became effective on January 1, 1990, and (3) the increases in the contribution and benefit base that became effective on January 1 of each year 1990 and 1991. (Table II.B.1 in the preceding section shows the tax rates and contribution and benefit bases in effect for these years.)

Income from the taxation of benefits amounted to \$5,790 million, of which nearly 99 percent represented amounts credited to the trust fund

in advance, on an estimated basis, together with adjustments to 1988-89 transfers to account for actual experience. The remaining 1 percent of the total income from taxation of benefits represented amounts withheld from the benefits paid to non-resident aliens.

Special payments are made to uninsured persons who either attained age 72 before 1968, or who attained age 72 after 1967 and had 3 quarters of coverage for each year after 1966 and before the year of attainment of age 72. The costs associated with providing such payments to persons having fewer than 3 quarters of coverage are reimbursable from the general fund of the Treasury. Accordingly, a reimbursement of \$25 million was transferred to the OASI Trust Fund in fiscal year 1991, as required by section 228 of the Social Security Act. The reimbursement reflected the costs of payments made in fiscal year 1989.

Section 217(g) of the Social Security Act requires transfers between the general fund of the Treasury and the OASI and DI Trust Funds for any adjustments to prior payments for the cost arising from the granting of noncontributory wage credits for military service prior to 1957. Determinations of such transfers are required in 1985 and every fifth year thereafter. As a result of the 1990 determination, \$2,114 million was transferred to the general fund from the OASI Trust Fund in December 1990.

The OASI Trust Fund was credited with net interest totaling \$18,745 million which consisted of (1) interest earned on the investments of the trust fund; plus (2) interest arising from the revised allocation of administrative expenses among the trust funds; plus (3) interest on transfers between the trust fund and the general fund account for the Supplemental Security Income program due to adjustments in the allocation of administrative expenses; less (4) reimbursement to the general fund for interest costs resulting from the advance transfer of contributions.

The remaining \$229,745 of receipts consisted of gifts received under the provisions authorizing the deposit of money gifts or bequests in the trust funds.

**TABLE II.C.1.—STATEMENT OF OPERATIONS OF THE OASI TRUST FUND  
DURING FISCAL YEAR 1991**

[In thousands]

Total assets, September 30, 1990 .....		<u>\$203,444,963</u>
Receipts:		
Contributions:		
Appropriations:		
Employment taxes.....	\$270,992,099	
Tax credits on 1984-89 earnings.....	96,418	
Total appropriations .....	<u>271,088,517</u>	
Payment from general fund of the Treasury representing employee-employer contributions on deemed wage credits for military service.....	356,284	
Gross contributions.....	<u>271,444,801</u>	
Less payment to the general fund of the Treasury for contributions subject to refund.....	603,780	
Net contributions.....		270,841,021
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens ....	79,219	
All other, not subject to withholding.....	5,711,000	
Total income from taxation of benefits.....		5,790,219
Reimbursement from general fund of the Treasury for costs of payments to uninsured persons who attained age 72 before 1968 .....		25,458
Transfer to the general fund of the Treasury to adjust previous determinations of costs attributable to noncon- tributory wage credits for military service before 1957 .....		-2,114,000
Investment income and interest adjustments:		
Interest on investments.....	19,161,684	
Interest on interfund transfers due to adjustment in allocation of administrative expenses.....	189	
Interest on transfers between the trust fund and the general fund account for the Supplemental Security Income program due to adjustment in allocation of administrative expenses.....	1,904	
Gross investment income and interest adjustments....	<u>19,163,777</u>	
Less interest on general fund advance tax transfers.....	418,326	
Net investment income and interest adjustments.....		18,745,451
Gifts.....		230
Total receipts .....		<u>293,288,379</u>
Disbursements:		
Benefit payments:		
Aggregate benefit payments.....	236,882,962	
Net transfer to the general fund for unnegotiated checks	44,090	
Gross benefit payments .....	<u>236,927,053</u>	
Less collected overpayments.....	732,097	
Net benefit payments.....		236,194,956
Transfer to the Railroad Retirement "Social Security Equivalent Benefit Account" .....		3,374,557
Administrative expenses:		
Department of Health and Human Services .....	1,537,174	
Department of the Treasury.....	210,208	
Gross administrative expenses.....	<u>1,747,382</u>	
Less reimbursements from general fund of the Treasury for costs of furnishing information on deferred vested pension benefits .....	949	
Less receipts from sales of supplies, materials, etc. ....	62	
Net administrative expenses.....		1,746,370
Total disbursements.....		<u>241,315,884</u>
Net increase in assets .....		<u>51,972,496</u>
Total assets, September 30, 1991 .....		<u>255,417,459</u>

Note: Totals do not necessarily equal the sums of rounded components.

Of the \$241,316 million in total disbursements, \$236,195 million was for net benefit payments, after adding a net transfer to the general fund of the Treasury of \$44 million for unnegotiated benefit checks<sup>1</sup> and subtracting collected overpayments of \$732 million. The amount of net benefit payments in fiscal year 1991 represents an increase of 7.9 percent over the corresponding amount in fiscal year 1990. This increase was due primarily to (1) the automatic cost-of-living benefit increases of 4.7 percent and 5.4 percent which became effective for December 1989 and December 1990 respectively, under the automatic-adjustment provisions in section 215(i) of the Social Security Act, (2) an increase in the total number of beneficiaries, and (3) an increase in the average benefit amount resulting from the rising level of earnings.

As described in the preceding section, certain provisions of the Railroad Retirement Act coordinate the Railroad Retirement and OASDI programs and govern the financial interchanges arising from the allocation of costs between the two programs. Under those provisions, the Railroad Retirement Board and the Secretary of Health and Human Services determined that a transfer of \$3,375 million to the Social Security Equivalent Benefit Account from the OASI Trust Fund was required in June 1991.

The remaining \$1,746 million of disbursements from the OASI Trust Fund represented net administrative expenses. The expenses of administering the OASDI and Medicare programs are allocated and charged directly to each of the various trust funds, through which those programs are financed, on the basis of provisional estimates. Similarly, the expenses of administering the Supplemental Security Income program are also allocated and charged directly to the general fund of the Treasury on a provisional basis. Periodically, as actual experience develops and is analyzed, adjustments to the allocations of administrative expenses for prior periods are effected by interfund transfers and transfers between the OASI Trust Fund and the general fund account for the Supplemental Security Income program, with appropriate interest adjustments.

Section 1131 of the Social Security Act authorizes annual reimbursements from the general fund of the Treasury to the OASI Trust Fund for additional administrative expenses incurred as a result of furnishing

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<sup>1</sup> Normally, the trust funds are reimbursed for unnegotiated checks. During fiscal year 1991, however, new reimbursements amounting to \$31 million from the general fund for unnegotiated checks were offset by a return of \$75 million for checks that were subsequently cashed after being held for 6 or more months.

information on deferred vested benefits to pension plan participants, as required by the Employee Retirement Income Security Act of 1974 (Public Law 93-406). The reimbursement in fiscal year 1991 amounted to \$949,103.

Net administrative expenses charged to the OASI and DI Trust Funds in fiscal year 1991 totaled \$2,535 million. (The operations of the DI Trust Fund are presented in detail in the next subsection.) This amount represented 0.8 percent of contribution income and 1.0 percent of expenditures for benefit payments. Corresponding percentages for each trust fund separately and for the OASDI program as a whole are shown in table II.C.2 for each of the last 5 years.

**TABLE II.C.2.—NET ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF CONTRIBUTION INCOME AND OF BENEFIT PAYMENTS, BY TRUST FUND, FISCAL YEARS 1987-91**

Fiscal year	OASI Trust Fund		DI Trust Fund		OASI and DI Trust Funds, Combined	
	Contribution income	Benefit payments	Contribution income	Benefit payments	Contribution income	Benefit payments
1987 .....	0.8	0.8	3.8	3.6	1.0	1.1
1988 .....	.8	.9	3.7	3.8	1.0	1.2
1989 .....	.7	.8	3.2	3.3	.9	1.1
1990 .....	.6	.7	2.6	3.0	.8	.9
1991 .....	.6	.7	2.7	2.9	.8	1.0

Table II.C.3 compares past estimates of contributions and benefit payments for fiscal year 1991, as shown in the 1987-91 Annual Reports, with the corresponding actual amounts in 1991. The estimates shown are the ones based on the alternative II-B set of assumptions from the 1987-90 reports and the alternative II assumptions for the 1991 report.

A number of factors can contribute to differences between estimates and subsequent actual amounts, including actual values for key economic, demographic, and other variables that differ from assumed levels. In addition, amendments to the Social Security Act can cause actual taxes or benefits to vary from earlier estimates. The comparisons in table II.C.3 indicate that actual OASI and DI tax contributions in fiscal year 1991 were lower than prior estimates due to the recession which began late in 1990. Estimates of OASI benefit payments were generally close to actual payments in 1991. The actual amount of DI benefit payments in 1991, however, was significantly above prior estimates, due to faster-than-expected growth in the number of disabled workers.

**TABLE II.C.3.—COMPARISON OF ACTUAL AND ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, FISCAL YEAR 1991**

(Amounts in millions)

	Net contributions <sup>1</sup>		Benefit payments <sup>2</sup>	
	Amount	Variance from actual (percent)	Amount	Variance from actual (percent)
<b>OASI Trust Fund:</b>				
Estimate in 1987 report .....	\$275,960	1.9	\$237,911	0.7
Estimate in 1988 report .....	273,451	1.0	233,409	-1.2
Estimate in 1989 report .....	282,160	4.2	234,997	-5
Estimate in 1990 report .....	280,023	3.4	235,006	-5
Estimate in 1991 report .....	271,412	.2	235,963	-1
Actual amount.....	270,841	—	236,195	—
<b>DI Trust Fund:</b>				
Estimate in 1987 report .....	29,568	2.1	24,730	-8.1
Estimate in 1988 report .....	29,303	1.2	25,156	-6.5
Estimate in 1989 report .....	30,233	4.4	25,455	-5.4
Estimate in 1990 report .....	30,007	3.6	25,813	-4.1
Estimate in 1991 report .....	29,017	.2	26,521	-1.4
Actual amount.....	28,953	—	26,909	—
<b>OASI and DI Trust Funds, combined:</b>				
Estimate in 1987 report .....	305,528	1.9	262,641	-2
Estimate in 1988 report .....	302,754	1.0	258,565	-1.7
Estimate in 1989 report .....	312,393	4.2	260,453	-1.0
Estimate in 1990 report .....	310,030	3.4	260,819	-9
Estimate in 1991 report .....	300,429	.2	262,484	-2
Actual amount.....	299,794	—	263,104	—

<sup>1</sup>"Actual" contributions for 1991 reflect adjustments for prior fiscal years (see preceding section for description of these adjustments). "Estimated" contributions also include such adjustments, but on an estimated basis.

<sup>2</sup>Includes payments, if any, for vocational rehabilitation services furnished to disabled persons receiving benefits because of their disabilities.

At the end of fiscal year 1991, about 40.4 million persons were receiving monthly benefits under the OASDI program. Of these persons, about 36.0 million and 4.4 million were receiving monthly benefits from the OASI Trust Fund and the DI Trust Fund, respectively. The estimated distribution of benefit payments in fiscal years 1990 and 1991, by type of beneficiary, is shown in table II.C.4 for each trust fund separately.

**TABLE II.C.4.—ESTIMATED DISTRIBUTION OF BENEFIT PAYMENTS FROM THE OASI AND DI TRUST FUNDS, BY TYPE OF BENEFICIARY OR PAYMENT, FISCAL YEARS 1990 AND 1991**

[Amounts in millions]

	Fiscal year 1990		Fiscal year 1991	
	Amount	Percentage of total	Amount	Percentage of total
Total OASDI benefit payments .....	\$243,242	100.0	\$263,073	100.0
OASI benefit payments .....	218,948	90.0	236,195	89.8
DI benefit payments .....	24,294	10.0	26,878	10.2
OASI benefit payments, total .....	218,948	100.0	236,195	100.0
Monthly benefits:				
Retired workers and auxiliaries .....	168,848	77.1	182,270	77.2
Retired workers .....	153,842	70.3	166,147	70.3
Wives and husbands .....	13,710	6.3	14,740	6.2
Children .....	1,297	.6	1,383	.6
Survivors of deceased workers .....	49,876	22.8	53,710	22.7
Aged widows and widowers .....	39,460	18.0	42,749	18.1
Disabled widows and widowers .....	474	.2	540	.2
Parents .....	39	( <sup>1</sup> )	38	( <sup>1</sup> )
Children .....	8,475	3.9	8,906	3.8
Widowed mothers and fathers caring for child beneficiaries .....	1,427	.7	1,476	.6
Uninsured persons generally aged 72 before 1968 .....	17	( <sup>1</sup> )	13	( <sup>1</sup> )
Lump-sum death payments .....	207	.1	202	.1
DI benefit payments, total .....	24,294	100.0	26,878	100.0
Disabled workers .....	21,638	89.1	24,021	89.4
Wives and husbands .....	529	2.2	544	2.0
Children .....	2,127	8.8	2,314	8.6

<sup>1</sup> Less than 0.05 percent.

Note: Totals do not necessarily equal the sums of rounded components.

The assets of the OASI Trust Fund at the end of fiscal year 1991 totaled \$255,417 million, consisting of \$255,557 million in U.S. Government obligations and, as an offset, an extension of credit amounting to \$140 million against securities to be redeemed within the following few days. Table II.C.5 shows the total assets of the fund and their distribution at the end of each fiscal year 1990 and 1991.

**TABLE II.C.5.—ASSETS OF THE OASI TRUST FUND, BY TYPE, INTEREST RATE, AND YEAR OF MATURITY, AT END OF FISCAL YEAR, 1990 AND 1991**

	September 30, 1990	September 30, 1991
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
7.875 percent, 1992.....	—	\$18,955,442,000.00
8.875 percent, 1991.....	\$17,247,802,000.00	—
Bonds:		
8.125 percent, 1993-94.....	—	7,222,696,000.00
8.125 percent, 1995-2000.....	—	21,668,094,000.00
8.125 percent, 2001-05.....	—	18,056,740,000.00
8.125 percent, 2006.....	—	16,623,586,000.00
8.375 percent, 1992.....	313,295,000.00	—
8.375 percent, 1993-2000.....	2,506,360,000.00	2,506,360,000.00
8.375 percent, 2001.....	2,370,396,000.00	2,370,396,000.00
8.625 percent, 1992.....	1,301,731,000.00	—
8.625 percent, 1993-2001.....	11,715,579,000.00	11,715,579,000.00
8.625 percent, 2002.....	3,672,127,000.00	3,672,127,000.00
8.75 percent, 1992.....	7,099,803,000.00	—
8.75 percent, 1993-94.....	14,199,606,000.00	14,199,606,000.00
8.75 percent, 1995-2000.....	42,598,812,000.00	42,598,812,000.00
8.75 percent, 2001-03.....	21,299,409,000.00	21,299,409,000.00
8.75 percent, 2004-05.....	26,024,476,000.00	26,024,476,000.00
9.25 percent, 1991.....	2,240,309,000.00	—
9.25 percent, 1992.....	2,240,309,000.00	1,814,353,000.00
9.25 percent, 1993-2000.....	17,922,472,000.00	17,922,472,000.00
9.25 percent, 2001-02.....	4,480,616,000.00	4,480,616,000.00
9.25 percent, 2003.....	5,912,435,000.00	5,912,435,000.00
10.375 percent, 1991.....	1,865,345,000.00	—
10.375 percent, 1992-99.....	4,521,488,000.00	4,521,488,000.00
10.375 percent, 2000.....	2,057,101,000.00	2,057,101,000.00
10.750 percent, 1992-96.....	5,111,155,000.00	5,111,155,000.00
10.750 percent, 1997-98.....	2,044,460,000.00	2,044,460,000.00
13.750 percent, 1991.....	191,756,000.00	—
13.750 percent, 1992-96.....	2,348,420,000.00	2,348,420,000.00
13.750 percent, 1997-98.....	939,370,000.00	939,370,000.00
13.750 percent, 1999.....	1,491,915,000.00	1,491,915,000.00
Total investments.....	203,716,547,000.00	255,557,108,000.00
Undisbursed balances <sup>1</sup> .....	-271,583,840.60	-139,648,942.88
Total assets.....	203,444,963,159.40	255,417,459,057.12

<sup>1</sup> Negative figures represented extensions of credit against securities to be redeemed within the following few days.

Note: Special issues are always purchased at par value. Therefore, book value and par value are the same for each special issue, and the common value is shown above. Where the maturity years are grouped for special issues, the amount maturing in each year is the amount shown divided by the number of years.

All securities currently held by the OASI Trust Fund are special issues (i.e., securities sold only to the trust funds). These are of two types: short-term certificates of indebtedness and long-term bonds. Both types

are backed by the full faith and credit of the United States Government. The certificates of indebtedness are issued through the investment of receipts not required to meet current expenditures, and they mature on the next June 30 following the date of issue. Special-issue bonds, on the other hand, are normally acquired only when the certificates of indebtedness (and bonds, issued previously) mature on June 30. The amount of bonds acquired on June 30 is equal to the amount of special issues maturing, less amounts required to meet expenditures on that day.

Table II.C.6 shows the investment transactions of the OASI and DI Trust Funds, separate and combined, in fiscal year 1991. All amounts shown in the table are at par value.

**TABLE II.C.6.—INVESTMENT TRANSACTIONS OF THE OASI AND DI TRUST FUNDS IN FISCAL YEAR 1991**

[In thousands]

	OASI Trust Fund	DI Trust Fund	OASI and DI Trust Funds, Combined
Invested assets, September 30, 1990 .....	\$203,716,547	\$11,505,127	\$215,221,674
Acquisitions:			
Special Issues:			
Certificates of indebtedness.....	286,066,340	29,502,317	315,568,657
Bonds.....	67,182,464	3,218,091	70,400,555
Public Issues:			
Treasury bonds.....	—	—	—
Total acquisitions.....	353,248,804	32,720,408	385,969,212
Dispositions:			
Special Issues:			
Certificates of indebtedness.....	284,358,700	28,689,578	313,048,278
Bonds.....	17,049,543	2,430,932	19,480,475
Public Issues:			
Treasury bonds.....	—	—	—
Total dispositions.....	301,408,243	31,120,510	332,528,753
Net increase in invested assets .....	51,840,561	1,599,898	53,440,459
Invested assets, September 30, 1991 .....	255,557,108	13,105,025	268,662,133

Note: All investments are shown at par value.

The effective annual rate of interest earned by the assets of the OASI Trust Fund during the 12 months ending on June 30, 1991, was 9.2 percent, as compared to 9.4 percent earned during the 12 months ending on June 30, 1990. (This period is used, rather than the fiscal year, because interest on special issues is paid semiannually on June 30 and December 31.) The interest rate on special issues purchased by the trust fund in June 1991 was 8.125 percent, payable semiannually. Special-issue bonds with a total par value of \$67,182 million were purchased in June 1991.

Section 201(d) of the Social Security Act provides that the public-debt obligations issued for purchase by the OASI and DI Trust Funds shall have maturities fixed with due regard for the needs of the funds. The usual practice in the past has been to spread the holdings of special issues, as of each June 30, so that the amounts maturing in each of the next 15 years are approximately equal. Accordingly, the amounts and maturity dates of the special-issue bonds purchased on June 30, 1991, were selected in such a way that the maturity dates of the total portfolio of special issues were spread evenly over the 15-year period 1992-2006.

## **2. Disability Insurance Trust Fund**

A statement of the income and disbursements of the Federal Disability Insurance Trust Fund during fiscal year 1991, and of the assets of the fund at the beginning and end of the fiscal year, is presented in table II.C.7.

During fiscal year 1991, total receipts amounted to \$29,322 million, and total disbursements were \$27,780 million. The assets of the trust fund thus increased by \$1,543 million during the year, to a total of \$12,997 million on September 30, 1991.

Included in total receipts were \$28,982 million representing payroll tax contributions appropriated to the fund and \$37 million in payments from the general fund of the Treasury representing taxes that would have been paid on estimated deemed wage credits for military service in 1991 if such credits had been considered to be covered wages. As an offset, \$66 million was transferred from the trust fund to the general fund of the Treasury for the estimated amount of refunds to employees who worked for more than one employer during a year and paid contributions on wages in excess of the contribution and benefit base.

Net contributions amounted to \$28,953 million, an increase of 6.1 percent from the amount in the preceding fiscal year. This increase is primarily attributable to the same factors, insofar as they apply to the DI program, that accounted for the change in contributions to the OASI Trust Fund. Income from the taxation of benefit payments amounted to \$131 million in fiscal year 1991.

As described in the preceding subsection, a determination was required in 1990 to adjust prior payments from the general fund of the Treasury for the costs arising from the granting of noncontributory wage credits for military service prior to 1957. Accordingly, a transfer of \$775 million to the general fund from the DI Trust Fund was made in December 1990.

Net interest totaling \$1,014 million consisted of interest on the investments of the fund, less interest on amounts of interfund and general-fund transfers.

**TABLE II.C.7.—STATEMENT OF OPERATIONS OF THE DI TRUST FUND  
DURING FISCAL YEAR 1991**

[In thousands]

Total assets, September 30, 1990.....		<u>\$11,454,630</u>
Receipts:		
Contributions:		
Appropriations:		
Employment taxes.....	\$28,973,161	
Tax credits on 1984-89 earnings.....	9,225	
Total appropriations.....	<u>28,982,386</u>	
Payment from general fund of the Treasury representing employee-employer contributions on deemed wage credits for military service.....	36,632	
Gross contributions.....	<u>29,019,018</u>	
Less payment to the general fund of the Treasury for contributions subject to refund.....	<u>66,080</u>	
Net contributions.....		28,952,938
Income from taxation of benefit payments:		
Withheld from benefit payments to non-resident aliens.....	3,892	
All other, not subject to withholding.....	<u>127,000</u>	
Total income from taxation of benefits.....		130,892
Transfer to the general fund of the Treasury to adjust previous determinations of costs attributable to noncontributory wage credits for military service before 1957.....		-775,000
Investment income and interest adjustments:		
Interest on investments.....	1,058,010	
Interest on interfund transfers due to adjustment in allocation of administrative expenses.....	254	
Gross investment income and interest adjustments.....	<u>1,058,263</u>	
Less interest on general fund advance tax transfers.....	<u>44,732</u>	
Net investment income and interest adjustments.....		1,013,531
Total receipts.....		<u>29,322,361</u>
Disbursements:		
Benefit payments:		
Gross benefit payments.....	26,990,286	
Less collected overpayments.....	111,786	
Less reimbursement for unnegotiated checks.....	<u>241</u>	
Net benefit payments.....		26,878,258
Transfer to the Railroad Retirement "Social Security Equivalent Benefit Account".....		82,136
Payment for costs of vocational rehabilitation services for disabled beneficiaries.....		30,471
Administrative expenses:		
Department of Health and Human Services.....	754,052	
Department of the Treasury.....	31,434	
Demonstration projects and experiments.....	<u>3,295</u>	
Gross administrative expenses.....	<u>788,781</u>	
Less receipts from the sale of supplies, materials, etc.....	<u>17</u>	
Net administrative expenses.....		788,765
Total disbursements.....		<u>27,779,629</u>
Net increase in assets.....		<u>1,542,732</u>
Total assets, September 30, 1991.....		<u>12,997,362</u>

Note: Totals do not necessarily equal the sums of rounded components.

## *Actuarial Analysis*

Of the \$27,780 million in total disbursements, \$26,878 million was for net benefit payments, excluding collected overpayments of \$112 million and a net reimbursement of \$241 thousand for unnegotiated benefit checks. This represents an increase of 10.6 percent over the corresponding amount of benefit payments in fiscal year 1990. This increase is due primarily to the same factors that resulted in the net increase in benefit payments from the OASI Trust Fund. In the case of DI, however, the number of persons qualifying for disabled worker benefits increased at a very rapid rate in fiscal year 1991.

Provisions governing the financial interchanges between the Railroad Retirement and OASDI programs are described in the preceding section. Under those provisions, \$82 million was transferred to the Social Security Equivalent Benefit Account from the DI Trust Fund in June 1991.

The remaining disbursements amounted to \$789 million for net administrative expenses (including \$3 million for demonstration projects and experiments to test the effect of alternative methods for assisting disabled beneficiaries' attempts to work), and \$30 million for the costs of vocational rehabilitation services furnished to disabled-worker beneficiaries and to those children of disabled workers who were receiving benefits on the basis of disabilities that began before age 22. Reimbursement from the trust funds for the costs of such services is made only in those cases where the services contributed to the successful rehabilitation of the beneficiaries.

The assets of the DI Trust Fund at the end of fiscal year 1991 totaled \$12,997 million, consisting of \$13,105 million in U.S. Government obligations and, as an offset, an extension of credit amounting to \$107 million against securities to be redeemed within the following few days. Table II.C.8 shows the total assets of the fund and their distribution at the end of each fiscal year 1990 and 1991.

**TABLE II.C.8.—ASSETS OF THE DI TRUST FUND, BY TYPE, INTEREST RATE, AND YEAR OF MATURITY, AT END OF FISCAL YEAR, 1990 AND 1991**

	September 30, 1990	September 30, 1991
Investments in public-debt obligations:		
Public issues:		
Treasury bonds:		
3.5 percent, 1998 .....	\$5,000,000.00	\$5,000,000.00
4.125 percent, 1989-94 .....	68,400,000.00	68,400,000.00
4.25 percent, 1987-92 .....	80,800,000.00	80,800,000.00
7.5 percent, 1988-93 .....	26,500,000.00	26,500,000.00
7.625 percent, 2002-07 .....	10,000,000.00	10,000,000.00
8 percent, 1996-2001 .....	26,000,000.00	26,000,000.00
8.25 percent, 2000-05 .....	3,750,000.00	3,750,000.00
11.75 percent, 2010 .....	30,250,000.00	30,250,000.00
Total investments in public issues at par value, as shown above .....	250,700,000.00	250,700,000.00
Unamortized premium or discount, net .....	-512,794.48	-430,321.84
Total investments in public issues at book value .....	250,187,205.52	250,269,678.16
Obligations sold only to the trust funds (special issues):		
Certificates of indebtedness:		
7.875 percent, 1992 .....	—	1,730,216,000.00
8.875 percent, 1991 .....	917,477,000.00	—
Bonds:		
8.125 percent, 1995-98 .....	—	600,644,000.00
8.125 percent, 1999-2000 .....	—	300,320,000.00
8.125 percent, 2001-05 .....	—	750,805,000.00
8.125 percent, 2006 .....	—	868,859,000.00
8.375 percent, 1992 .....	160,260,000.00	—
8.375 percent, 1993 .....	201,767,000.00	—
8.375 percent, 1994 .....	109,613,000.00	88,711,000.00
8.375 percent, 1995 .....	109,613,000.00	109,613,000.00
8.375 percent, 1996-2000 .....	1,008,835,000.00	1,008,835,000.00
8.375 percent, 2001 .....	591,226,000.00	591,226,000.00
8.75 percent, 1992 .....	168,980,000.00	—
8.75 percent, 1993 .....	174,952,000.00	—
8.75 percent, 1994 .....	466,750,000.00	466,750,000.00
8.75 percent, 1995-2000 .....	764,838,000.00	764,838,000.00
8.75 percent, 2001 .....	127,472,000.00	127,472,000.00
8.75 percent, 2002-05 .....	2,874,792,000.00	2,874,792,000.00
9.25 percent, 1991 .....	275,169,000.00	—
9.75 percent, 1993 .....	142,337,000.00	—
9.75 percent, 1994 .....	142,336,000.00	142,336,000.00
9.75 percent, 1995 .....	481,613,000.00	481,613,000.00

**TABLE II.C.8.—ASSETS OF THE DI TRUST FUND, BY TYPE, INTEREST RATE, AND YEAR OF MATURITY, AT END OF FISCAL YEAR, 1990 AND 1991 (Cont.)**

	September 30, 1990	September 30, 1991
Investments in public-debt obligations: (Cont.)		
Obligations sold only to the trust funds (special issues): (Cont.)		
Bonds: (Cont.)		
10.375 percent, 1992-93 .....	\$203,006,000.00	—
10.375 percent, 1996-98 .....	304,512,000.00	\$304,512,000.00
10.375 percent, 1999 .....	152,904,000.00	152,904,000.00
10.375 percent, 2000 .....	389,459,000.00	389,459,000.00
10.75 percent, 1992 .....	287,956,000.00	—
10.75 percent, 1993 .....	98,140,000.00	—
10.75 percent, 1996-98 .....	863,865,000.00	863,865,000.00
13.75 percent, 1999 .....	236,555,000.00	236,555,000.00
Total obligations sold only to the trust funds (special issues) .....	11,254,427,000.00	12,854,325,000.00
Total investments in public-debt obligations (book value <sup>1</sup> ) .....	11,504,614,205.52	13,104,594,678.16
Undisbursed balances <sup>2</sup> .....	-49,984,369.01	-107,232,892.31
Total assets (book value <sup>1</sup> ) .....	11,454,629,836.51	12,997,361,785.85

<sup>1</sup>Par value, plus unamortized premium or less discount outstanding.

<sup>2</sup> Negative figures represented extensions of credit against securities to be redeemed within the following few days.

Note: Special issues are always purchased at par value. Therefore, book value and par value are the same for each special issue, and the common value is shown above. Where the maturity years are grouped for special issues, the amount maturing in each year is the amount shown divided by the number of years.

The effective annual rate of interest earned by the assets of the DI Trust Fund during the 12 months ending on June 30, 1991 was 9.3 percent, as compared to 9.5 percent earned during the 12 months ending on June 30, 1990. The interest rate on public-debt obligations issued for purchase by the trust fund in June 1991 was 8.125 percent, payable semiannually. Special-issue bonds with a total par value of \$3,218 million were purchased in June 1991.

The investment policies and practices described for the OASI Trust Fund apply as well to the investment of the assets of the DI Trust Fund.